



**Director of
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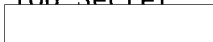
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CENTRAL AMERICA: Rightist Maneuvering in El Salvador

3 6 Negotiations continue among the five rightist parties in El Salvador to form a coalition. The guerrillas, meanwhile, are continuing their attacks in eastern El Salvador. In Mexico, civilian officials are beginning to show concern that turmoil following the coup in Guatemala might eventually threaten Mexico's political stability.

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8 The rightist parties announced yesterday that they are engaging in discussions aimed at establishing a working coalition and have issued a communique declaring their intention to try to form a government of national unity.

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8 The US Embassy in San Salvador believes that, if the most recent election percentages do not change, the Christian Democrats--despite their strong plurality--will control only 24 of the 60 seats in the constituent assembly. Roberto D'Aubuisson's party would receive 19 seats and the National Conciliation Party 14.

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8 Comment: If the current negotiations succeed, the rightist parties could dominate the constituent assembly. Based on the latest projections, the Christian Democratic margin for assembly deputies is smaller than previous estimates. The Christian Democrats would have to pick up some support from both the rightist National Conciliation Party and the Democratic Action party--who are running third and fourth, respectively--in order to gain control of the assembly.

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Insurgents Still Active

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The guerrillas, despite their failure to disrupt the elections elsewhere, yesterday continued to attack the two major cities in the east where they prevented much of the balloting.

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Comment: The insurgents hope that success in eastern El Salvador will preserve their military credibility and gain them some bargaining leverage should the new government be willing to negotiate. Nevertheless, government reinforcements are now free to go to the area, and they are likely to turn the tide, although fighting will be heavy. [redacted]

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Mexican Concern Over Guatemalan Instability

A Mexican Ministry of Foreign Affairs representative emphasized to a US Embassy official that serious political turmoil in Guatemala, in the wake of the recent coup, would be worse than anywhere else in Central America.

5 Other officials in the Ministry--an institution which has long advocated cultivating Central American insurgents--reportedly also are worried by Guatemalan developments. [redacted]

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1/6 Comment: Because Mexico shares a border with Guatemala, even leftists in the government have been more timid in promoting the cause of leftist forces there than in El Salvador. Anxiety among Mexican military leaders over this potential threat to domestic stability has spurred efforts to increase security along the border, improve communications with the Guatemalan military, and clamp down on some insurgent activity in Mexico. [redacted]

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② USSR: Senior Leader Reported Ill

$\frac{1}{3}$ The rumor mill in Moscow is active with reports that one or more senior leaders are seriously ill. []

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3 Comment: Brezhnev's history of cardiovascular problems makes him constantly vulnerable to a stroke, but there is no additional evidence that his health has suffered a major setback at this time. []

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$\frac{1}{3}$ The Soviet President almost certainly is exhausted because of his recent heavy schedule, and he appeared tired during his visit to Tashkent last week. There was no live television coverage of his return to Moscow on Friday, possibly because he did not look well. The postponement on Sunday of the visit to Moscow by South Yemen's President, apparently at Soviet initiative, further suggests that Brezhnev is indisposed. []

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$\frac{1}{3}$ Brezhnev's personal physician reportedly has canceled a trip to the UK. The Soviet President in the past has entered the hospital to rest, and he may well have done so on this occasion. In the current politicized atmosphere in Moscow such a development could lead to rumors that he is seriously ill. []

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$\frac{2}{3}$ Kirilenko's health in recent years appears to have been better than that of most other senior Soviet leaders. Poor health could account for his absence from public view during March, but his absence may be due solely to the political problems that have beset him since Politburo member Suslov's death two months ago. []

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3 The rumors about health problems within the leadership may be politically motivated. At a minimum, these and other recent rumors testify to the high degree of uncertainty about the state of the leadership since Suslov's death. Their existence, moreover, is a reminder of the frailty of the diminishing circle of men who have ruled the Soviet Union for the past 17 years. []

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④ USSR-CHAD: Possible Military Assistance

The USSR may supply Chadian President Goukouni with military assistance. [redacted]

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[redacted]

Since the Libyans withdrew from Chad late last year, the Soviets have strengthened ties with Goukouni. Foreign Minister Gromyko himself received a low-level envoy from Chad in December, and candidate Politburo member Kuznetsov subsequently met with its new Ambassador to the USSR. [redacted]

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1/4 In public and private comments, the Soviets have expressed concern that alleged US support for the Habre forces may portend a resurgence of Western influence in Chad. They also have criticized the OAU peacekeeping force there, charging that its failure to restrain Habre is serving US and French interests. [redacted]

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Comment: [redacted]

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[redacted] Moscow's interest in trying to prevent Goukouni's feeble nonaligned coalition from being toppled by insurgent leader Habre's superior forces. The Soviets, however, probably want to play an indirect and limited role in order to avoid charges by other African countries of meddling in Chadian affairs. Consequently, the USSR may encourage other countries to increase their military assistance to Chad. [redacted]

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⑦ USSR: Grain Crop for 1981

Economic lecturers in Murmansk and Leningrad have indicated for the first time that the grain crop for 1981 may have fallen below 160 million tons. One lecturer put the crop at 158 million tons, and the other cited 150 to 165 million tons. An official of an economic institute in Moscow repeated the figure of 158 million tons [redacted]

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1-4 Comment: Such lecturers were among the first spokesmen to provide accurate figures for the disastrous grain harvests in 1975 and 1979. A crop of 158 million tons would have fallen about 80 million tons short of plan. Record grain imports will not fill so large a gap, and the Soviets probably will import about 45 million tons during the year ending 30 June. The USSR so far has bought 43.7 million tons for delivery by that date. [redacted]

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⑧ POLAND: Coal Exports Increase

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2 The partial recovery of Poland's coal industry under martial law has led to increased exports to the West. The imposition of a six-day workweek and strict discipline in the mines caused production in January and February to rise 14 percent over that of a year ago. Exports amounted to 2.8 million tons, more than triple the same period in 1981. Warsaw's aggressive campaign to regain lost markets is having some success, with Spain purchasing more Polish coal in January than in all of 1981, and Italy, France, and Belgium considering increased purchases. [redacted]

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Comment: Poland's reemergence as a major factor in the West European coal market--largely at the expense of US producers--may partly reflect Warsaw's willingness to offer attractive prices. It also may stem from a desire in Western Europe to diversify sources of supply and to help Poland earn hard currency. The Poles probably are using some of the proceeds from coal sales to help pay debt obligations. [redacted]

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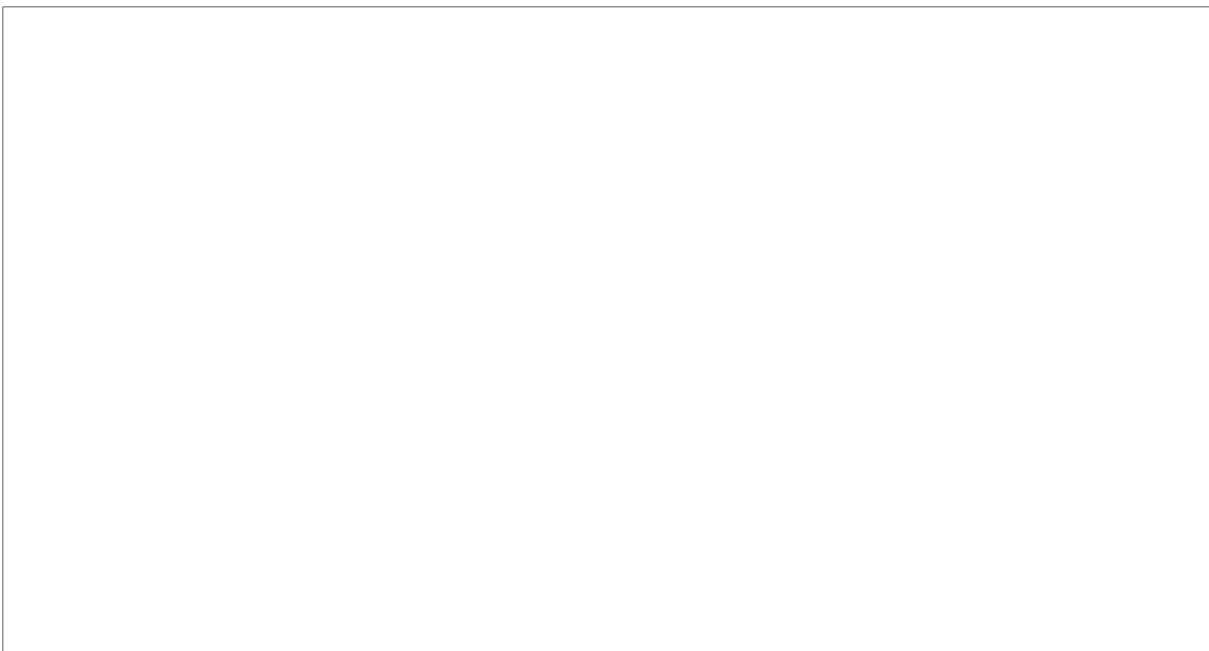
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(10) BOLIVIA: Labor Unrest

Military leaders are urging President Torrelío to end civil unrest by declaring a state of siege and reorganizing the cabinet. Workers held a successful two-day general strike this week to protest economic austerity measures, and the outlawed Bolivian Workers Central reportedly intends to stage new demonstrations.

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✓3 Comment: The protests could play into the hands of the country's perennial coup plotters, some of whom are high-ranking military officers. Torrelío so far appears confident that the key military commanders are not eager for a coup and that the plotters will not want to jeopardize the IMF economic assistance Bolivia is to receive. The plotters probably prefer to let Torrelío bear the onus for the austerity measures imposed to meet IMF demands, but they might try to replace him if unrest were to increase substantially.

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SPECIAL ANALYSIS

(11)

IRAQ-IRAN: Implications of the Iranian Victory

Iraq's defeat by Iran in the recent heavy fighting has left President Saddam Hussein, the personal architect of the war, in dire straits. He has no prospect of improving Iraqi military fortunes or of persuading Iran to negotiate. Saddam probably is considering withdrawing completely from Iran, while taking steps to shore up his weakened position at home. Any earlier Iranian interest in negotiations is likely to evaporate as expectations of Saddam's downfall increase. Moderate Arab states are increasingly apprehensive about the threat from a victorious Iran.

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Saddam announced yesterday "a reorganization of Iraqi defenses to the rear." He noted that Iraqi units in the Dezful salient had withdrawn to new positions closer to the border. Despite forewarning and an overwhelming advantage in conventional firepower, the overriding cause of Iraq's defeat again appears to have been an unwillingness to commit sufficient infantry to the battle.

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The Iraqis probably will establish new defensive positions west of the Doveyrij River, leaving some units only a few kilometers inside Iran. Although some Iraqi units were badly mauled, they appear to have extracted most of their heavy equipment, and the Army is likely to fight tenaciously to defend Iraqi territory.

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Despite suffering substantial losses, the Iranian Army appears strong enough to continue prosecuting the war. Tehran probably is contemplating another major offensive later this spring. It might launch a diversionary attack in the north to threaten the strategic approach to Baghdad.

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Iran's primary effort, however, is likely to be aimed at recovering the area between Ahvaz and Khorramshahr. This is the largest piece of territory still held by Iraq, but Iraqi forces holding it are thinly spread.

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Saddam's Vulnerability

5 The Iraqi leader's total identification with the war has increased the possibility that his rule will be challenged. The military failure will heighten other longstanding--but suppressed--grievances, including Saddam's "personality cult," his deemphasis of the Ba'th Party's status, and his refusal to share power with his colleagues. These differences are over style more than policy. [redacted]

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5 A palace coup involving both Ba'th Party and military figures is the most serious threat. Party and military leaders probably are concerned that opposition to "Saddam's war" could engulf the entire regime. Political change in Baghdad might improve prospects for a negotiated settlement with Iran, but Tehran would still remain opposed to any lasting accommodation with a secular Ba'thist regime. [redacted]

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1 A post-Saddam regime initially would be collegial. Dramatic foreign policy changes are unlikely. Contacts with both the West and the USSR would be maintained to facilitate rebuilding the economy and the military, and to avoid political isolation in the face of collaboration between Syria and Iran. [redacted]

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5 The government has attempted to cover up the magnitude of the defeat and threatened severe punishment for "seditious" rumormongers. [redacted]

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5 [redacted]
Saddam's defensive remarks yesterday will add to public anxiety. [redacted]

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Arab Reactions

2 Regardless of the effects of the war on Saddam's personal fortunes, Tehran's success has other Arab leaders seriously concerned. [redacted]

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3 [redacted] The Persian Gulf leaders also will want to shore up Iraq's Sunni Arab regime in order to prevent a more militant Ba'thist or a pro-Iranian Shia regime from gaining power. [redacted]

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2 Arab leaders in the region will look to the US,
 1 and probably to Egypt, for leadership and security as-
 5 sistence. They may allow greater visibility for the US
 naval presence in the area. []

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2 Saudi and Kuwaiti leaders in recent weeks have
 1 urged the US to help end the war. Kuwait, however, also
 5 may renew its bid for improved relations between the
 Persian Gulf states and the USSR. []

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2 At the same time, Arab leaders are likely to seek
 1 opportunities to reduce Iranian hostility. They may
 5 offer Iran financial assistance in the hope of placating
 its clerical leaders. Saudi Arabia, Kuwait, and the
 United Arab Emirates already have hinted that they might
 contribute to a reparations fund for Tehran. []

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2 Egypt will seek to exploit Baghdad's setback to
 1 ease its isolation in the Arab world. Cairo will reiter-
 5 ate its public offers to help defend the Persian Gulf,
 take a more explicit pro-Iraqi stance, and increase arms
 sales to Baghdad. The Egyptians also may offer to send
 military training teams to the Persian Gulf states to
 help them improve their defensive capabilities. []

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3 Jordan's King Hussein, who is now in Baghdad, be-
 1 lieves all moderate Arab regimes are threatened by the
 5 prospect of a victorious Iran. He also fears the emer-
 gence of a pro-Soviet government in Baghdad. []

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3 The King has sent some 2,000 Jordanian "volunteers"
 1 to Iraq but will be reluctant to send regular Army units
 5 because of opposition from his military leaders, who
 fear attack from Syria. Although Hussein has in the
 past adhered to the ban on transfer of US-origin equip-
 ment to Baghdad, he might provide such equipment clandes-
 tinely if he believed that it would enable Saddam to
 survive. []

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